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EQUITY OWNERSHIP STRUCTURE AND EARNINGS MANAGEMENT OF LISTED INDUSTRIAL GOODS FIRMS IN NIGERIA

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Abstract: Investors, creditors, and other stakeholders are significantly impacted by earnings management, a technique that can skew financial results. In light of this, the study looks at how listed industrial goods companies in Nigeria manage their earnings in relation to their equity ownership structure. The study's specific goal is to find out how managerial equity ownership, foreign equity ownership, institutional equity ownership, and concentrated equity ownership affect the way listed industrial goods companies in Nigeria manage their revenues. Thirteen (13) industrial products companies registered on the Nigerian Exchange Group as of December 31, 2023, make up the population of the study's corollational research design. The census sampling technique was utilized, and all 13 companies served as the sample size. The information utilized was taken from the annual reports of the Nigerian Exchange Group-listed industrial goods companies. Eleven (11) years, from 2013 to 2023, were covered by the data. Using STATA 13.0 software, the study's analysis method was the random effect regression model. According to the study, institutional equity ownership significantly improves the earnings management of Nigerian industrial goods companies, while foreign equity ownership and concentrated equity ownership have a significant negative impact. Managerial equity ownership has a negligible negative impact on earnings management. In order to improve the performance of Nigerian-listed industrial products companies, the study advises the board of directors to make sure that insider manager' shareholdings are neither excessively large nor excessively little. By making policy statements mandating that managers and executive directors hold more equity shares, companies should think about increasing managerial ownership. Additionally, businesses must have a large institutional ownership percentage, particularly in participatory institutions.

Keywords: *equity ownership structure, Absolute Discretionary Accrual, Nigeria, Industrial Goods Firms.*

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Introduction

When management purposefully falsifies financial statements to either deceive stakeholders about the company's financial situation or affect contractual outcomes that depend on accounting statistics, this is known as earnings management (Ahmad et al., 2019). Managers, who are in charge of disclosing a company's earnings, have exclusive authority over this practice. Managers may try to influence accounting results in their favor due to the competing interests of shareholders and managers. The motivations for manipulation are influenced by the fact that their performance reviews frequently depend on stated earnings. In light of documented fraudulent activities in the nation's financial sector, this study attempts to examine the impact of block holding on earnings management in comparison to the current diluted ownership structure in many Nigerian firms. To safeguard vulnerable stakeholders in the business environment, corporate monitoring and control must be improved. Two examples of management control and monitoring instruments are equity ownership and the environment and organizational structure of the company. The equity ownership structure is critical and very essential because it affects the weak or inadequate investor protection associated with most developing countries.

On the one hand, if an organization modifies results stated in accordance with generally accepted accounting principles (GAAP) norms and regulations, then earnings management is deemed lawful. However, if changes are made without adhering to GAAP rules and accounting standards, earnings management may be deemed fraudulent and unlawful (Nguyen et al. 2021). Although earnings management can be used to manipulate an entity's disclosed financial statement in order to mislead shareholders about the organization's financial situation and state of affairs and to affect contractual incentives that depend on accounting profits, ownership structure can be used to control earnings management efforts. As a result, it is now convenient for managers and directors of businesses to make sure that they maximize the value of shareholders by disclosing accurate, transparent, and trustworthy financial statements (Nguyen et al. 2021). It should go without saying that established business ownership structures tend to reduce manipulation of earnings.

evaluating the relative significance of an organization's ownership structure in successfully lowering the likelihood of managing profits. It has been argued that creating a suitable ownership structure is a useful strategy for lowering financial reporting fraud. Similarly, the evidence that is currently available suggests that ownership structure has the dual effect of decreasing the incentive to manage results and generating opportunities and incentives for earnings manipulation (Bawa & Isah, 2018). Therefore, it would be necessary to implement strategies that can improve the act of reporting high-quality earnings if earnings are to continue to be significant. One such strategy is the use of ownership structure as a governance mechanism to improve the quality of accounting information (Ali-Momoh & Ahmed, 2022).

Nigeria's industrial products sector is essential to the country's economic expansion. Given the variety of stock ownership arrangements that exist, from institutional investors to family-owned businesses, it is essential to comprehend how various structures affect earnings management. A company's true financial health can be obscured and stakeholders misled by earnings management, which is frequently driven by a variety of agency issues and financial motivations. In order to provide insight on the efficacy of corporate governance systems in the Nigerian setting, this study examines the relationship between equity ownership structure and earnings management (Eman *et al.,* 2022).

Investors, stockholders, and even the long-term survival of businesses are at risk due to the pervasive practice of earnings management. The deliberate manipulation of financial reporting by business management to affect stakeholders' opinions of the company's performance is known as earnings management. Because it can impact the firm's financial stability and decision-making process, it is a crucial area of concern for policymakers, regulators, and investors. Conversely, the distribution of ownership among a company's shareholders is referred to as the equity ownership structure. This structure affects how management may be motivated or under pressure to control profits and is essential to corporate governance Nguyen and associates (2021). Thus, this study focuses on examining the effects of equity managerial ownership, equity foreign ownership, equity institutional ownership, and equity ownership concentration on earnings management of Nigerian listed industrial goods firms. This is the foundation for the expression and investigation of theories.

According to Muhammad et al. (2017), a number of studies have examined how equity ownership structure influences business performance in both developed and developing economies. Most of these studies have found that ownership structure has an impact on an organization's performance. However, other elements including the environment, managerial effectiveness, and institutional structure can also have an impact on a company's performance as stated in its published financial reports. Performance is impacted by these additional elements. What elements contribute to the reliability and correctness of financial reports, and how does ownership structure affect Nigerian companies' earnings management strategies? According to Musa and Nafiu (2017), earnings management is the process of finding legal loopholes in financial regulations and using them to the benefit of a particular subset of users of financial reports rather than all users.

The goal of this four-decade study (Gulzar & Wang, 2011; Chalaki et al. 2012; Dabor & Adeyemi, 2019; Adeyemi & Uadiale, 2020; Effiok & Eton, 2022) was to offer empirical support for any theoretical expectations regarding the impact of equity ownership structure on earnings management. The study's analysis revealed that opinions on the connection between earnings management and equity ownership structure were divided. Some research found a detrimental effect, while others confirmed the notion that there was a positive benefit. Some study found that the relationship depended more on the particular variable. There is still room for disagreement on this issue, as seen by the lack of a clear consensus, and it is important to reconsider and present fresh viewpoints. Nonetheless, the study investigated a fresh approach that differed from the approaches taken by the other studies mentioned above. The study employed the seasonally adjusted optional accrual metric. Seasonal impacts can skew the data's normal behaviour, add many oscillations to the series, and bias the results. As a result, this study employed seasonally adjusted series. In the end, the study offered novel insights and added to our knowledge.

Examining the impact of equity ownership structure on earnings management of Nigerian listed industrial goods companies is the goal of this study. The following are the precise goals: (i) examine how managerial equity ownership affects listed manufacturing companies' earnings management in Nigeria; (ii) ascertain how foreign equity ownership structure affects listed industrial goods companies' earnings management in Nigeria; (iii) determine the effects of institutional equity ownership on listed industrial goods companies' earnings management in Nigeria; and (iv) look into the impact of concentrated equity ownership on listed industrial goods companies' earnings management in Nigeria.

The following hypotheses are developed in null form to direct the investigation based on the particular goals of the study.

- **Ho_1:** The earnings management of Nigerian listed industrial products companies is not significantly impacted by managerial equity ownership.
- **Ho_2:** Nigerian listed industrial products companies' earnings management is not significantly impacted by foreign equity participation..
- **Ho_3:** Nigerian listed industrial products companies' earnings management is not significantly impacted by institutional equity participation.
- **Ho_4:** Nigerian listed industrial products companies' earnings management is not significantly impacted by concentrated equity ownership.

Review of Related Literature

Conceptual Framework

The conceptual framework of this study comprises of four proxies of equity ownership structure, Managerial Equity Ownership (MOWN), Foreign Equity Ownership (FOWN), Institutional Equity Ownership (IOWN) and Concentrated Equity Ownership (COWN) representing independent variable and a proxy of Absolute Discretionary Accrual) as a dependent variable with a control variable of Firm Size (FSZ).

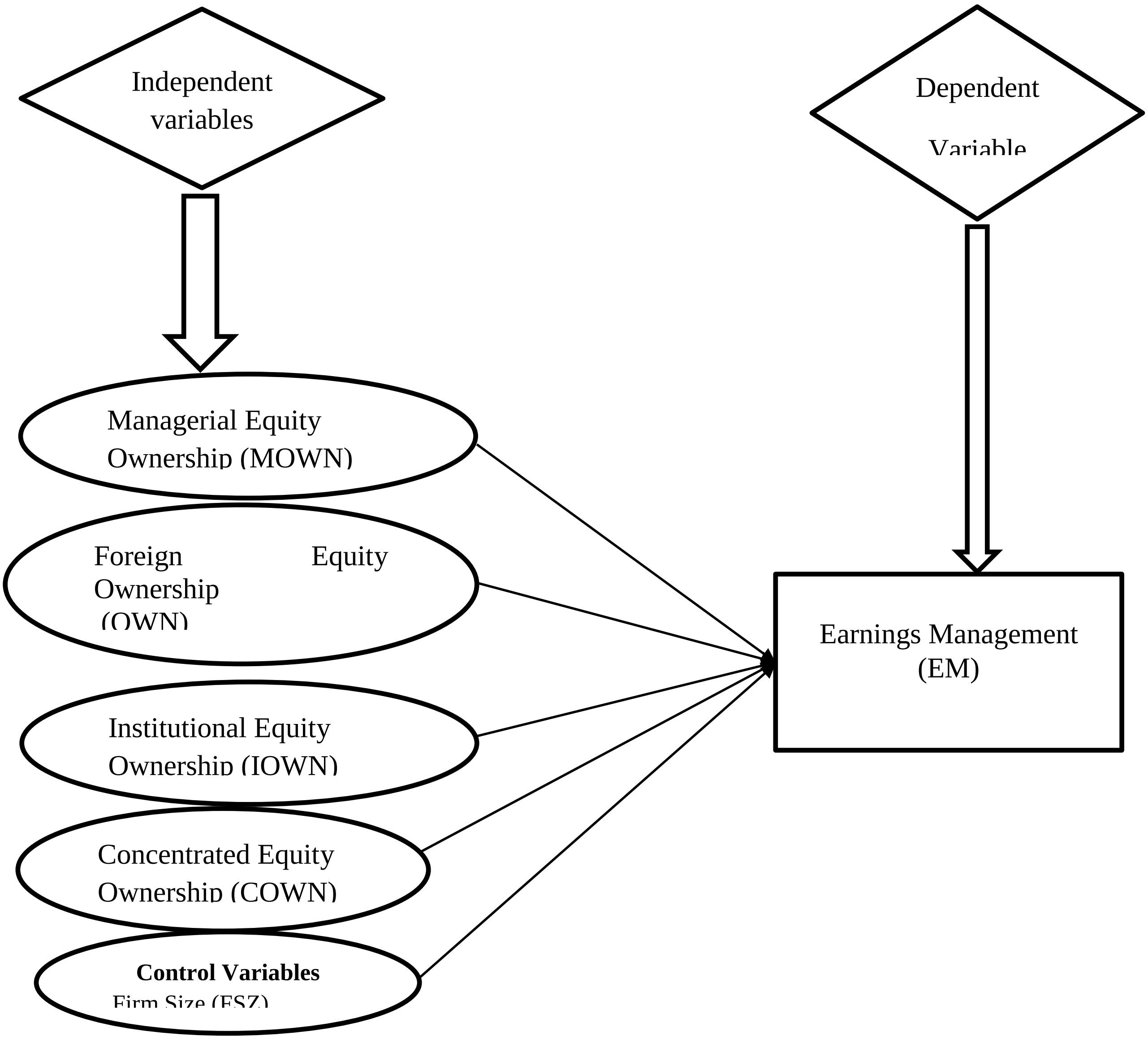

Figure 1: Framework of the Study.

Concept of Earnings Management

Attempts by management to manipulate reported earnings through the use of particular accounting techniques, expediting revenue or cost transactions, or other strategies intended to affect short-term profitability are known as earnings management (Isenmila & Afensimi, 2022). Noronha and Zeng (2021) also saw earnings management as a spectrum of intentional interventions in the external financial reporting chain, from legal behavior to fraud that goes against generally accepted accounting principles (GAAP) in order to mislead stakeholders about the true economics and performance of the company. The main objective of financial reporting is to provide users with all kinds of information about a company so they may make wise financial decisions. Many readers of corporate financial reports have questioned the feasibility of this goal because of the possible effects of profit management on the informational contents of such reports.

Earnings management, according to Jara and Lopez (2011), is a tactic employed by a company's management to alter the company's earnings so that the numbers align with a predefined goal. A logical and lawful management decision-making and reporting procedure aimed at achieving steady and predictable financial results is another definition of earnings management. Accrual has been used as a stand-in for earnings management in most studies. Dickinson (2023) discovered in his investigation that matured businesses produced positive, abnormal, or exceptional returns. This shows that investors underestimated mature businesses because they were unable to fully recognize the persistence of their success. Dickinson (2011) primarily examined the abnormal returns generated by established businesses; his research also revealed that businesses in the startup and expansion phases generated negative abnormal returns. As a result, compared to the previous phases that carried a significant amount of depreciation expenditure or expense, the absolute value of the coefficient on property, plant, and equipment (PPE) was probably reduced in the introductory phase (Dickinson, 2011).

Concept of Institutional Equity Ownership

The ownership of company stocks or shares by institutional investors, such as mutual funds, pension funds, insurance companies, and investment firms, is referred to as institutional equity ownership. These organizations combine the money of several investors and utilize it to purchase stocks and other financial products. The stock market is heavily influenced by institutional investors, who also have a big influence on the businesses they invest in. They frequently occupy significant positions in businesses, and their ownership shares allow them to have an impact on voting rights, corporate governance, and strategic choices. It's crucial to remember that institutional investors may take varied approaches to stock ownership due to their diverse investing strategies, goals, and risk tolerances. Furthermore, national laws pertaining to institutional ownership may differ (Ahmad & Jusoh, 2019).

Concept of Equity Ownership Structure

According to the agency theory, equity ownership structure is one of the most important corporate governance strategies for addressing agency difficulties. It suggests that concentrated ownership will result in more efficient monitoring (Jensen & Meckling, 1976). A system that strikes a balance between the interests of managers and shareholders is ownership structure. One of the most important strategies for a business to maximize its value is a well-thought-out and effective ownership structure of the company's shares.

A company's equity ownership structure can be divided into two categories: the percentage of shares held by institutional vs individual shareholders and the percentage of shares held by insiders and outsiders (Wong, Loo, & Shamsher, 2019). Regarding an efficient ownership structure, there are two schools of thinking. First, managers or insiders who purchase a sizable portion of the company's stock also become shareholders. This is believed to be beneficial in preventing agency conflicts and bringing management's interests into line with shareholders'. Second, outsiders who own a significant percentage of the company's shares have greater power and incentive to monitor management action, especially financial reporting, which reduces the possibility of earnings management.

Concept of Insider/Managerial Equity Ownership

Managerial ownership refers to the shares held by managers. Holderness (2013) defined managerial ownership as the proportion of insiders (officers and directors) and block holders (holders of corporate stock) who exhibited distinct incentives for controlling shareholders. When it comes to investments and options, different sorts of owners have varied preferences. Depending on the specific shares that each type of investor owns, corporate decisions are impacted in different ways. Executives or corporate directors who possess stock are regarded as management owners. One important factor influencing management effectiveness is the managerial ownership structure. Top managers are highly motivated to minimize agency conflicts between shareholders and managers by aligning the interests of other stakeholders, and they have the power to allocate resources among a wide range of stakeholders in a way that guarantees their support. Top executives are more likely to make business decisions that maximize the value for shareholders if they own a sizable amount of equity. It's possible that top managers are more inclined to pursue short-term tactics that increase the company's profits and give them more authority to make choices that serve their own interests.

Concept of Foreign Equity Ownership

Foreign equity ownership occurs when foreign investors make up the majority of investors and some Nigerian investors make up less than 10% of the total investments. As a result, decisions about finances and investments may be made without consulting the minority shareholders. According to (Sahut & Gharbi, 2010), foreign equity owners are required to include minority shareholders in the corporate decision-making process relating to earnings management, which should be streamlined for the benefit of all shareholders in order to ensure that earnings were handled effectively.

Namazi and Kermani (2008) investigated the impact of ownership structure on the corporate performance of listed companies on the Tehran Stock Exchange. The study's findings demonstrated a substantial and negative relationship between institutional ownership and earnings management.

Firm Size

There is a relationship between a corporation's size and the amount of resources it possesses. Size can be displayed using total assets, sales, average sales, and average total assets. The best indicator of a company's size is believed to be the size of its assets. It is commonly claimed that larger firms are more likely to be focused on improving the quality of financial reporting and less likely to engage in novel accounting approaches. The results showed a favorable relationship between business size and disclosure policy decisions, which was consistent with earlier studies. Bigger businesses are scrutinized more than smaller ones. As a result, these businesses are under pressure to reveal more details, enhance the caliber of their financial reporting, and lower the degree of information irregularity. Bigger businesses are also expected to produce high-quality financial reports since they are seen as significant economic entities (Parveen et al., 2016). Previous research repeatedly established a positive correlation between the size of collaboration and its extent. Large companies might also have the means to implement efficient procedures and structures that guarantee higher-quality reporting.

Theoretical Review

Agency Theory

The agency idea is a significant premise that has been thoroughly examined and validated by facts in the literature. Agency theory is one of the theories that has been extensively studied by many scholars and researchers in a variety of works, including foreign ownership and earning management. Jensen and Meckling presented the guiding principles of the agency theory in 1976. The idea typically illustrates a conflict of interest between the owner (client) and management (agent). There is a conflict of interest as a result of our influence. They highlight the existence of the gap between managers and investors as one of the fundamental theories of agency theory. Agency theory states that external governance tools like activist owners, the market for corporate control, and securities may deter managers from acting opportunistically.

Specifically, the agency theory theoretical framework (Jensen & Meckling, 1976; Fama, 1980; Fama & Jensen, 1983a) and the conflicts of interest issues that arise among various firm actors in those realities that are not characterized by the separation between owners and managers (evidence of different corporate governance systems) can be used to examine the relationship between financial statement frauds and corporate governance in general. In both situations, certain characters could be able to take advantage of information asymmetry to further their own goals (La Porta et al., 1999; Dennis and McConnell, 2003; Dey, 2008). It was claimed that agency issues, which were exacerbated by the organization's poor corporate governance and disputes between the company's main stakeholders, led to dishonest behavior by people who might exploit information asymmetry and profit personally from it when it was high. Financial statement fraud thus results from a company's failure to handle serious agency problems and serious conflicts of interest.

The Stewardship theory

The stewardship theory argues that the interests of corporate leaders and stewards align with those of the firm and its shareholders, in contrast to the agency theory (Albrecht et al., 2004). According to Habbash (2010), in contrast to the agency theory, theorists focus on how to empower and facilitate managers rather than how to monitor and control them. As a result, they rejected the idea that shareholders must keep an eye on managers' performance by monitoring them or using incentives as a controlling mechanism. According to the stewardship hypothesis, managers are reliable and act morally to safeguard the resources entrusted to their care, negating the need for monitoring (Donaldson & Davis, 1994).

Instead of embezzling money to fulfill their fiduciary duty to the company's shareholders, managers should be outstanding stewards of the assets given to them by the businesses they oversee, according to the stewardship idea (Chen et al., 2006). The theory also highlights that as managers are good stewards of their companies, they should work hard to increase shareholder returns and attain a high corporate profit (Donaldson and Davis, 1994). They should also work closely with their principals to achieve the organization's objective. The argument states that directors and management must answer to the owners of the resources they oversee. A wide range of stakeholders, including shareholders, debenture holders, pressure groups, regulatory bodies, government agencies, and the general public, must be held accountable by businesses for how they manage the resources entrusted to them, according to the stewardship theory (Jessen & Meckling, 1976; supported the idea that managers may be more likely to commit fraud if the stewardship principle is implemented and if shareholders have a high degree of trust in their agents). Consequently, the interests of management and stockholders may not always align.

Theory Relevant to the study

The agency theory, which asserts that managers may have interests at odds with those of their principal as agents of the shareholders and are impacted by the firm's objectives, serves as the theoretical foundation for this investigation. Because the agency theory aligns with the goal and prediction of this investigation, it is adopted in this study and is thought to be more pertinent in explaining the impact of equity ownership structure and profits management of listed industrial products firms in Nigeria.

Empirical Review

Managerial Equity Ownership and Earnings Management

Tonye and Ezekiel (2024) examined the relationship between Nigerian manufacturing companies' ownership structure and earnings management. Two hypotheses on the impact of controlling and blockholder ownership on earnings management were assessed in this study using panel data regression. Ex-post facto research was used to gather information from the financial accounts of eleven household products manufacturing companies that were sampled and quoted on the Nigerian Exchange Group between 2013 and 2022. The study's conclusions showed that both controlling and blockholder ownership will reduce the frequency of earnings management practices among Nigerian manufacturing firms. Therefore, in order to strengthen the monitoring mechanism that might put constraints on the administration of profits, the study advised businesses to work toward improving block holder ownership and controlling ownership structure.

Marvis *et al.* (2023) investigated the impact of audit committee financial knowledge and managerial ownership on the earnings management of Nigerian listed manufacturing companies. The Roychowdhury method was employed in this study to gauge actual earnings management. The sample size consisted of thirty-four (34) manufacturing companies out of seventy-three (73) that were listed on the Nigerian Exchange (NGX) between 2007 and 2021. The study's sampled companies' yearly financial reports provided the data. The econometric methods used to test the analyzed data and test hypotheses include quantile regression analysis, Pearson correlation, and descriptive statistics. The study's findings demonstrated that managerial ownership has a major impact on real-earnings management. In order to reduce real earnings management, the study suggested that managers of Nigerian manufacturing enterprises be incentivized to own greater shares in the businesses they oversee. Theoretically, the facts can provide a strong basis for regulatory action, particularly by better aligning the interests of shareholders and managers. The study's findings have significant ramifications for regulators, who will benefit from knowing how managerial ownership impacts real earnings management and enhance financial reporting accuracy. The results will also aid scholars and policymakers in comprehending how managerial ownership influences actual profits management in Nigeria.

Foreign Equity Ownership and Earnings Management

Abu *et al.* (2019) used secondary data taken from published audited annual reports and accounts of manufacturing enterprises in Nigeria to investigate the impact of family and foreign ownership on audit quality of listed manufacturing firms in Nigeria. STATA was utilized to test the hypotheses and analyze the data using the regression technique. The findings indicated that family ownership had a significant negative impact on audit quality, but foreign ownership had a positive significant impact. Among other things, the research suggested that foreign ownership be reviewed higher and family ownership be reviewed downward. Other types of ownership in the manufacturing companies will feel reassured and confident that their investments are safe because these groups of owners will be motivated to do everything in their power to monitor the audit quality.

Farouk & Bashir (2017) used manually gathered data on foreign ownership in China from 2003 to 2018 to investigate if foreign investors minimize earnings management activities. We present evidence of a strong and unfavorable relationship between earnings management and foreign ownership. Specifically, we discover that foreign investors exhibit excellent market discipline and offer monitoring advantages by improving corporate transparency. Furthermore, we discover that foreign investors are less successful in monitoring the prevalence of earnings management at SOEs across both SOE and non-SOE enterprises. Furthermore, the investment climate in their home countries and their involvement in governance play a crucial role in the efficient supervision of foreign investors over earnings management. In particular, we draw the conclusion that foreign investors from civil-law or non-IFRS countries, as well as those with low disclosure quality, high information asymmetry, or inadequate monitoring intensity, spread good governance practices through their investments and limit earnings management. Additionally, we discover that the disciplinary effect of foreign ownership on earnings management is lessened by either a big cultural distance or a little economic/legal distance. Overall, our results imply that foreign investors are crucial in preventing managers in emerging markets from acting opportunistically.

Institutional Equity Ownership and Earnings Management

Eman *et al.* (2023) investigated, in the context of Egypt, the nonlinear relationship between company ownership structure and income manipulation using accrual-based earnings management. Using the dynamic panel threshold analysis method, the study creates a sample of 78 listed non-financial companies from 2008 to 2017. The ownership structure and earnings manipulations were found to have a nonlinear connection. This demonstrates the existence of an ideal ownership structure threshold below which the ownership structure has an entrenchment effect on the management of earnings. The ownership structure does, however, have an alignment effect above this point. Regarding managerial ownership, governmental ownership, and earnings management (agency, political, and development theories, respectively), the investigation validates the theoretical predictions. The study suggests establishing an ideal ownership structure threshold to govern the company's management. The study examined the data using the proper statistical analysis tools. However, the study was conducted in 2023, and the data covered up until 2017, which is regarded as untimely and needs to be revised to reflect Nigeria's current economic realities. Additionally, the study was previously conducted in an area outside of Nigeria, which makes it unable to generalize due to environmental variables.

Nguyen *et al.* (2020) analyzed earnings quality and ownership structure using empirical data from Vietnam's real estate market. To solve econometric problems and enhance the precision of the regression coefficients, the study used statistical techniques of FEM, REM, and REM (robust). 36 real estate businesses that were listed on the Vietnamese stock exchange for five years, from 2014 to 2018, were included in the sample of 180 firm-year observations. According to the study, managerial ownership had a considerable negative impact on earnings quality, but state ownership had a positive affect. The study suggested that future research on the subject of EM in the real estate sector take into account a few common features that are representative of this sector. According to Hausman's (1978) hypothesis, the study examined the panel data using the proper statistical methods of analysis. However, the study was conducted in 2020, and the data covered up until 2018, which is regarded as overdue and needs to be updated to reflect Nigeria's current economic realities. Additionally, the study was conducted in an environment outside of Nigeria in the past, which makes it impossible to generalize due to environmental variances and the requirement to update the data to reflect the present situation in Nigeria.

Concentration Equity Ownership and Earning Management

Nanda *et al.* (2023) examined how informative earnings management is affected by institutional, governmental, and family ownership. 123 manufacturing companies that were listed between 2013 and 2017 on the Indonesian Stock Exchange make up the sample. The data is analyzed using logistic regression analysis. According to the study, informational earnings management is positively and significantly impacted by both institutional and family ownership. According to the study, family and institutional shareholders have a significant impact on how managers behave, especially when it comes to promoting strategic earnings management over opportunistic ones. According to the study, government shareholders may be more interested in political and social factors than in assessing management success based on profits. By illuminating the unique effects of various share ownership forms on earnings management strategies, especially with regard to their influence on informative earnings management, the study suggests that the body of existing work be reviewed. The study examined the data using the proper statistical analysis tools. However, the study was conducted in 2023, and the data covered up until 2017, which is regarded as untimely and needs to be revised to reflect Nigeria's current economic realities. Additionally, the study was previously conducted in an area outside of Nigeria, which makes it unable to generalize due to environmental variables.

Mohammed *et al.* (2023) examined the earnings management and ownership structure of Nigerian listed healthcare enterprises. This study employed an ex post facto research design with a target audience of healthcare companies in Nigeria as of December 31, 2021. Seven (7) of the ten (10) indicated companies were specifically chosen for the study (2012–2021) based on their comprehensive annual reports. Multiple regression analysis was used to look at the gathered data. The study discovered that while block-holder ownership and foreign ownership have favorable and significant effects, institutional ownership has a major detrimental impact on the strategies employed by the listed Nigerian healthcare companies under investigation to manage their earnings. The study suggests that Nigerian listed healthcare companies reject them; nevertheless, institutional investors should be encouraged because it has been found that they have a detrimental effect on how businesses manage their profits. This would help Nigerian healthcare institutions reduce their use of earnings management. The study examined the data using the proper statistical analysis tools. However, the study was conducted in 2023, and the data covered up until 2017, which is regarded as untimely and needs to be revised to reflect Nigeria's current economic realities.

Gap in Literature

Empirical research has revealed that some recent studies on ownership concentration, managerial ownership, institutional ownership, and earnings management in Nigeria and other countries around the world, such as Eman et al. (2023), Nanda et al. (2023), Nguyen et al. (2021), Oladejo (2021), and Siraji and Nazar (2021), were not up to date in the data used for the analysis to reflect the current economic realities, with the exception of Marvis et al. (2023) and Mohammed et al. (2021). The empirical research has also demonstrated that the majority of recent studies on ownership concentration, managerial ownership, institutional ownership, and earnings management—such as Eman et al. (2023), Hassan and Buvanendra (2019), Nanda et al. (2023), Nguyen et al. (2020), Siraji and Nazar (2021), Suartama and Sukartha (2020), and Racha (2019)—were carried out in other nations. Additionally, the insurance industry has very few studies in this field. This study examined the impact of ownership structure on earnings management of listed industrial products firms in Nigeria, updating the data up to 2023 and covering just the periods of IFRS implementation in Nigeria due to the gaps in the literature that were found.

Methodology

To describe the statistical relationship between equity ownership structure and earnings management of Nigerian listed industrial products firms, the study used a correlational research approach. This design was chosen in accordance with Eiman and Michelle's (2012) observation that when positivism as a research paradigm is linked to scientific, experimental, quantitative, and deductive frameworks, correlation research design would be the most suitable. Thirteen (13) industrial products companies that are listed on the Nigerian Exchange Group (NGX) make up the study's population. For this study, however, all thirteen (13) industrial goods firms have been chosen. Because of the banks' data availability and the study's tiny population, the census sampling technique was used. Secondary sources was used to gather data for this project. Thirteen (13) industrial products companies that are listed on the Nigerian Exchange Group (NGX) make up the study's population. For this study, however, all thirteen (13) industrial goods firms have been chosen. Because of the banks' data availability and the study's tiny population, the census sampling technique was used. Secondary sources was be used to gather data for this project.

Model Specification

A functional relationship in the form of a multivariate linear regression model with dependent and independent variables was developed in order to accomplish the goals of this study and test the hypotheses. The dependent variable in the study is earnings management, which is regressed against the explanatory variables, which include firm size (FSZ) as a control variable and managerial equity ownership (MOWN), foreign equity ownership (FOWN), institutional equity ownership (IOWN), and concentrated equity ownership (COWN).The regression model is presented as follows;

$$EM = f\,(MOWN, FOWN, IOWN, COWN, FSZ)$$

The econometrically, the model is stated thus:

$$EM_{it} = \beta_0 + \beta_1 MOWN_{it} + \beta_2 FOWN_{it} + \beta_3 IOWN_{it} + \beta_4 COWN_{it} + \beta_5 FSZ_{it} + \varepsilon_{it}$$

Where**:**

EM = Earnings Management

MOWN = Managerial Equity Ownership

FOWN = Foreign Equity Ownership

IOWN = Institutional Equity Ownership

COWN= Concentrated Equity Ownership

FSZ= Firm Size

ε = Error term

β_0 = intercept

i = period

t = time

B1- β_5 = the various slope coefficients of the explanatory variables.

Variable Measurement and Justification

Variable Name	Type	Variable Measurement and Justification
Earnings Management (EM)	Dependent	Measured by Discretionary accruals, Hassan &Buvanendra, (2019).), (Dechow et al. 2022)
Managerial Equity Ownership (MOWN)	Independent	Measured as Proportion of managerial ownership to total ownership; Goldberg *et al.* (2016).
Foreign Equity Ownership (FOWN)	Independent	Measured as Proportion of foreign ownership to total ownership; Hassan &Buvanendra, (2019), (Dechow et al. 2022).
Institutional Equity Ownership (IOWN)	Independent	Measured as Proportion of institutional ownership to total ownership; Jacob *et al*.(2020)
Concentrated Equity Ownership (COWN)	Independent	Proportion of concentrated ownership to total ownership; Goldberg *et al.* (2016).
Firm Size (FS)	Control	Measured as log of total asset. Shhu andJibril (2012).

Source: Author’s Compilation, 2025

DATA ANALYSIS AND DISCUSSIONS

Data Presentation

Discretionary accrual (DA) is used to represent earnings management in thirteen (13) industrial goods firms. Managerial Equity Ownership (MOWN), Foreign Equity Ownership (FOWN), Institutional Equity Ownership (IOWN), Concentrated Equity Ownership (COWN), and Firm Size (FS) are used to represent ownership structure.

Data Analysis

Using Descriptive Statistics, Shapiro-Wilk Normality Test, Pearson Correlation, Variance Inflation Factor, Heteroscedasticity Test, Hausman Specification Test, and Robust Fixed Effect Regression Model, the data were analyzed using Stata 13 software.

Descriptive Statistics

Table 2: Summary of the Descriptive Statistics of the Entire Data Set.

Variables	Obs	Mean	Std. Dev.	Min	Max
DA	143	22.3083	31.7122	-0.0132	210.11
MOWN	143	2.1742	7.0352	0.0012	56.897
FOWN	143	0.2002	0.1155	0	0.5714
IOWN	143	0.4313	0.2183	0.1	1
OSC	143	0.5611	0.1725	0.12	O.877
FS	143	9.3940	0.8393	0.8897	9.9876

Source: Researcher's Computation using STATA 13 software

According to Table 2, the discretionary accruals (DA) have a lowest value of -0.0132, a maximum value of 210.11, and a mean value of 22.3083. These values fall between the least and highest values, suggesting a good spread for the period under study. Additionally, the chart shows that DA has a standard deviation of 31.7122, which is higher than the mean and suggests that it experienced robust growth during the reviewed period. Additionally, Table 2 demonstrates that managerial equity ownership (MOWN) has a minimum value of 0.0012, a maximum value of 56.897, and a mean value of 2.1742. These values fall between the minimum and maximum, suggesting a healthy spread for the time under study. Additionally, the chart shows that MOWN has a standard deviation of 7.0352, which is higher than the mean and suggests that it grew quickly throughout the reviewed time.

The foreign equity ownership (FOWN) has a minimum value of 0, a maximum value of 0.5714, and a mean value of 0.2002, all of which fall within the range that indicates a good spread for the time under study, as Table 2 equally demonstrates. Additionally, the data shows that FOWN has a standard deviation of 0.1155, which is lower than the mean and suggests that it grew slowly throughout the reviewed time. Additionally, Table 2 demonstrates that Institutional Equity Ownership (IOWN) has a minimum value of 0.1, a maximum value of 1, and a mean value of 0.4313, which falls between the minimum and maximum values and indicates a good spread for the study period. Additionally, the data shows that IOWN has a standard deviation of 0.2183, which is lower than the mean and suggests that it grew slowly during the reviewed time. Concentrated equity ownership (OSC) has a low value of 0.12, a maximum value of 0.877, and a mean value of 0.5611, which falls between the minimum and maximum values and indicates a good spread over the period under study, according to Table 2. Additionally, the data shows that OSC has a standard deviation of 0.1725, which is higher than the mean and suggests that it grew quickly throughout the reviewed time. Lastly, Table 2 demonstrates that firm size (FS) has a lowest value of 0.8897, a maximum value of 9.9876, and a mean value of 9.3940. These values fall between the minimum and maximum, suggesting a decent spread during the study time. Additionally, the data shows that FS has a standard deviation of 0.8393, which is lower than the mean and suggests that it grew slowly throughout the reviewed time.

Shapiro Wilk Normality Test

Table 3: Results of the Normality Test Conducted with the Use of Shapiro Wilk Test

Variables	Obs	W	V	Z	Prob>z
DA	143	0.6747	36.333	8.125	0.0000
MOWN	143	0.2915	79.134	9.885	0.0000
FOWN	143	0.9494	5.609	3.898	0.0000
IOWN	143	0.9537	5.172	3.716	0.0000
OSC	143	0.9472	5.891	4.010	0.0000
FS	143	0.3623	71.224	9.647	0.0000

Source: Researcher's Computation using STATA 13 software

Table 3 above shows that DA, IOWN and FS have probability > z values that are less than 0.05 which signifies that they are not normally distributed around their mean. Since most of the variables displayed abnormality in their distribution pattern, this means that one of the basic assumptions of linear regression technique which allows only normally distributed series has been violated which necessitated the use of robust effect regression model.

Pearson Correlation

Table 4: Pearson Correlation Matrix for the Data Set.

	DA	MOWN	FOWN	IOWN	OSC	FSZ
DA	1.0000					
MOWN	-0.1077	1.0000				
FOWN	-0.1588	-0.1507	1.0000			

IOWN	-0.0353	-0.0058	0.1071	1.0000		
OSC	0.1664	-0.1401	0.2158	-0.2305	1.0000	
FS	-0.0482	0.0582	-0.0177	-0.0845	0.0293	1.0000

Source: Researcher's Computation using STATA 13 software

The degree of relationships between the proxies of an independent variable and the dependent variable is ascertained via the correlation matrix. In order to determine whether the model has a multicollinearity issue, it is also utilized to demonstrate whether the proxies of the independent variable themselves are associated. The correlation value of -0.1077 in Table 4 indicates a 10% positive and weak link between managerial equity ownership (MOWN) and discretionary accruals (DA) of Nigerian industrial products enterprises. The correlation value of -0.1588 in the table indicates a weak and 15% negative link between foreign ownership (FOWN) and discretionary accruals (DA) of Nigerian industrial goods enterprises.

Additionally, the correlation value of -0.0353 in the table indicates a 3% negative and weak association between institutional equity ownership (IOWN) and discretionary accruals (DA) of Nigerian manufacturing enterprises.

Furthermore, based on the correlation coefficient of 0.1664, the data indicates a 16% negative and weak association between concentrated equity ownership (OSC) and discretionary accruals (DA) of Nigerian industrial products enterprises. Lastly, all coefficients are below the threshold of 0.80, which suggests that there is no multicolinearity issue, suggesting that the interactions between proxies of independent variables themselves are modest (Gujarati, 2003).

Variance Inflator Factor (VIF) Results

Table 5: Variance Inflator Factor (VIF)

Variable	**VIF**	**I/VIF**
OSC	1.14	0.8767
FOWN	1.09	0.9140
IOWN	1.09	0.9153
MOWN	1.04	0.9614
FSZ	1.01	0.9891
Mean VIF	1.08	

Source: Researcher's Computation using STATA 13 software

The Variance Inflation Factors (VIF) and Inverse Variance Inflation Factors (I/VIF) values show no multicolinearity problem in the data because they are less than 10 and 1, respectively, as suggested by (Gujarati, 2003), as shown in table 5. This further confirms the absence of multicolinearity problem among the exogenous variables. The absence of the multicolinearity issue in the model—a need for regression analysis—indicates that the variables are appropriately chosen and fitted in the same regression model.

Heteroscedasticity test

Table 6: Heteroscedasticity test

Type of test	**Chi2**	**P-Value**
Heteroscedasticity Test	9.71	0.0018

Source: Researcher's Computation Using STATA 13 software

A heteroscedasticity test was performed to see whether the study's data was reliable for the model. Nevertheless, the analysis showed that the data is free of homoskedasticity. The heteroskedasticity result in Table 6, which showed a chi2 value of 9.71 with a p-value of 0.0018, supports this. The homoskedasticity (constant error variance) assumption of traditional linear regression is satisfied by this.

Pooled Effect Vs Random effects Model

Selecting the optimal panel approach is the first step in the panel data analysis process. The Breuschi-Pagan Lagrangian Multiplier test for random effects is used to determine whether to employ the pooled effect model or the random effect model. The presence of unobserved effects in the random effect model is investigated by the Lagrangian-Mutiplier test. The null hypothesis is rejected and the random effects model of panel data is selected if the test's computed value is more than the critical value, or significant of chi-square, or vice versa.

Breusch-Pagan Lagangian Multiplier

Tables 7 below presents the result of the Breusch-Pagan Lagrangian Multipler test conducted.

Variable	**Chiar2**	**P-Value**

DA	238.11	0.0000

Source: Researcher's Computation Using STATA 13 software

To provide insight into a real test between the Robust Fixed Effect Regression Model and Pooled Ordinary Least Square Regression, the Breusch-Pagan Lagrangian Multipler test was performed. According to the Breusch-Pagan Lagrangian Multipler test, REM is more suitable than Pooled Ordinary Least Square, as indicated by the chibar2 value of (238.11) and the corresponding probability of (0.0000) in table 7 above.

Hausman Specification Test

Table 8: Result of Hausman Specification Test Conducted

Chi2	1.80
Prob. Chi2	0.8764

Source: Researcher's Computation using STATA 13 software

This study uses panel data, which can result in a clustered and potentially correlated inaccuracy over time. This is due to the possibility that each deposit money bank has an entity-specific trait (such as unobserved heterogeneity) that determines its characteristics. Additionally, this could skew the explanatory or outcome factors. Therefore, it is necessary to regulate that. The fixed effect model is better suitable, according to the results of the Hausman test. The substantial Chi2 value of 1.80 and p-value of 0.8764 in Table 8 support this.

The Results of Random Effect Regression Model

Table 9: Robust fixed Effect Regression Model Conducted

Variable	Coefficients	z-value	Prob.
MOWN	-0.1221	-0.39	0.698
FOWN	-69.2242	-3.29	0.001
IOWN	28.7698	2.63	0.009
OSC	-45.4729	-2.41	0.016
FZS	3.9143	1.88	0.060
_Cons.	12.6996	0.51	0.610
R-sq overall	0.2645		
Wald chi2(5)	37.83		
Prob. > chi2	0.0000		

Source: Researcher's Computation using STATA 13 software

The combined effect of managerial equity ownership (MOWN), foreign equity ownership (FOWN), institutional ownership (IOWN), and concentrated ownership (OSC) with a control variable, firm size (FS) with an overall R-squared of 0.2645, predicts a 26% variation in discretionary accruals (DA), as Table 9 above illustrates. This shows that the independent variables are appropriately incorporated and utilized, and the study's model is fit. With a P-value of 0.0000 and a Wald chi2(5) value of 37.83, the model was deemed suitable for the investigation.

Test of Hypotheses

The developed hypotheses were investigated using a robust fixed effect regression model in order to investigate the impact of equity ownership structure on earnings management of listed industrial goods firms in Nigeria.

- **Ho_1:** Managerial equity ownership has no significant effect on earnings management of listed industrial goods firms in Nigeria.

Table 9's results indicate that managerial equity ownership has a coefficient of -1.1221 and a corresponding p-value of 0.698, indicating that MOWN has a negligible detrimental impact on the earnings management of Nigerian listed industrial products firms throughout the review period. This leads to the acceptance of the null hypothesis, which states that managerial equity ownership has no discernible impact on the earnings management of Nigerian listed industrial goods companies.

- **Ho_2:** Foreign equity ownership has no significant effect on earnings management of listed industrial goods firms in Nigeria.

According to Table 9, foreign equity ownership had a significant negative impact on the earnings management of listed industrial products firms in Nigeria during the period under consideration, with a coefficient of -69.2242 and a matching p-value of 0.001. This leads to the rejection of the null hypothesis, which states that foreign equity ownership has no appreciable impact on the earnings management of Nigerian listed industrial goods companies.

- **Ho_3:** Institutional equity ownership has no significant effect on earnings management of listed industrial goods firms in Nigeria.

The coefficient of 28.7698 and the related p-value of 0.009 in Table 9 ultimately demonstrate that institutional equity ownership significantly improves the earnings management of Nigerian listed industrial products firms during the review period. This leads to the rejection of the null hypothesis, which states that institutional equity ownership has no discernible impact on the earnings management of Nigerian listed industrial goods companies.

- **Ho_4:** Concentrated equity ownership has no significant effect on earnings management of listed industrial goods firms in Nigeria.

Finally, Table 9 shows that concentrated equity ownership has a substantial negative impact on earnings management of listed industrial products firms in Nigeria during the period under consideration, as indicated by the coefficient of -45.4729 and the accompanying p-value of 0.016. This leads to the rejection of the null hypothesis, which states that concentrated equity ownership has no discernible impact on the earnings management of Nigerian listed industrial goods companies.

Finally, Table 9 shows that concentrated firm size has a substantial favorable impact on earnings management of listed industrial products firms in Nigeria for the period under consideration, with a coefficient of -45.4729 and a corresponding p-value of 0.016.

Discussion of Findings

Managerial Equity Ownership and Earnings Management

According to this study, managerial equity ownership (MOWN) has a negligible detrimental impact on Nigerian industrial goods companies' ability to control their earnings. This indicates that a rise in managerial equity ownership will result in a -1.1221 decline in the earnings management of Nigerian industrial products companies. According to the study, managerial equity ownership (MOWN) has a negligible detrimental impact on Nigerian industrial products companies' ability to control their earnings. This result is also consistent with the findings of Parveen et al. (2016) and Suartama & Sukartha (2020). The results, however, conflict with those of Musa & Nafiu (2017) and Tonye, A., & Ezekiel, B. (2024).

Foreign Equity Ownership and Earnings Management

The study also shows that foreign equity ownership (FOWN) significantly impairs Nigerian industrial products companies' ability to control their earnings. This indicates that a rise in foreign equity ownership will result in a -69.2242 fall in the earnings management of Nigerian industrial products companies. According to the report, foreign equity ownership significantly impairs Nigerian industrial goods companies' ability to manage their earnings. This result is also consistent with the findings of Parveen et al. (2016) and Suartama & Sukartha (2020). The results, however, conflict with those of Musa & Nafiu (2017) and Tonye, A., & Ezekiel, B. (2024).

Institutional Equity Ownership and Earnings Management

In the end, this study shows that institutional equity ownership (IOWN) significantly improves the earnings management of Nigerian industrial goods companies. This indicates that a rise in institutional equity ownership will result in a 28.7698 increase in the earnings management of Nigerian industrial products companies. This result is also consistent with the findings of Parveen et al. (2016) and Suartama & Sukartha (2020). The results, however, conflict with those of Musa & Nafiu (2017) and Tonye, A., & Ezekiel, B. (2024).

Concentrated Equity Ownership and Earnings Management

According to this study, concentrated equity ownership (OSC) significantly impairs Nigerian industrial goods companies' ability to manage their earnings. This indicates that a rise in concentrated equity ownership will result in a -45.4729 decline in the earnings management of Nigerian industrial products companies. The study discovered that concentrated equity ownership (OSC) significantly impairs Nigerian industrial products companies' ability to control their earnings. This result is also consistent with the findings of Parveen et al. (2016) and Suartama & Sukartha (2020). The results, however, conflict with those of Musa & Nafiu (2017) and Tonye, A., & Ezekiel, B. (2024).

Conclusion and Recommendations

Conclusion

The existence of a positive but negligible correlation between managerial ownership and earnings management of Nigerian listed industrial goods companies suggests that a higher level of foreign equity ownership may not ensure that the management's actions are effectively monitored and that the earnings management process is maintained. Therefore, it is necessary to preserve managerial stock ownership in order to improve efficient management oversight and lessen Nigerian industrial products companies' earnings manipulation.

Additionally, the report claims that ownership of foreign shares may not ensure that managers won't distort earnings. This demonstrates that ownership is more effective than this since they possess greater knowledge about the businesses and are able to keep an eye on and manage their operations. Industrial goods companies must therefore concentrate on having fewer non-executive members in order to lessen their manipulation of earnings.

The study also finds that non-executive members with financial expertise are more adept at identifying earnings management, which lowers the possibility that managers will engage in aggressive earnings management. In order to lessen the enterprises' manipulation of their earnings, industrial goods companies must select more members with financial understanding to the board based on their qualifications, experience, and expertise.

Recommendations

In view of the foregoing, this study recommends as follows:

1. It has been empirically shown that maintaining the size or number of committees in each audit committee, as well as the frequency of meetings, has greatly reduced the time it takes for Nigerian industrial products companies to submit their financial reports.
2. More cautious reporting in the investee companies should be demanded by international institutions, especially foreign corporate investors. In order to prevent managers from manipulating results, the percentage of shares held by foreign investors and blockholders should be increased rather than decreased. This will improve the quality and dependability of the financial reports that are released.
3. By making policy statements mandating that managers and executive directors hold more equity shares,

companies should think about increasing managerial ownership. Additionally, it can be necessary for businesses to have a large institutional ownership share, particularly in participatory institutions.

4. In order to strengthen their oversight role, block shareholders should advocate for the Securities and Exchange Commission of Nigeria to institutionalize block shareholdings and shareholder activism. Additionally, regulatory agencies should closely monitor the strong tendency of small businesses to restate their earnings.

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